

STATE INSURANCE FUND
Underwriting Revenues and Expenditures
Other Revenues and Expenditures
Ten Year Income Summary

	2001-02	2000-01	1999-00	1998-99	1997-98	1996-97	1995-96	1994-95	1993-94	1992-93
UNDERWRITING REVENUES:										
Earned Premium	12,360,840	11,504,086	10,611,168	10,258,420	11,241,583	10,327,384	10,412,815	9,499,058	8,973,580	8,047,785
UNDERWRITING EXPENSES:										
Claims and Expenses Paid	7,949,769	9,689,827	5,319,982	10,188,763	5,545,411	8,928,710	7,928,188	5,544,523	4,854,099	4,222,778
Claims and Expenses Unpaid	569,582	997,927	724,523	(145,714)	(631,543)	(5,503,094)	3,819,476	707,459	(903,805)	6,699,762
IBNR Expenses	(730,525)	9,992	112,975	(2,781,107)	3,598,616	523,111	(527,000)		3,102	
Total Losses Incurred	7,788,826	10,697,746	6,157,480	7,261,942	8,512,484	3,948,727	11,747,664	5,724,982	3,953,396	10,922,540
Less Recoveries	16,451	28,529	91,560	44,540	309,709	1,591,592	406,032	1,049,479	508	9,535
Net Claims	7,772,375	10,669,217	6,065,920	7,217,402	8,202,775	2,357,135	11,341,632	4,675,503	3,952,888	10,913,005
Insurance Rating Services						1,022	10,384	5,303	1,916	4,923
Actuarial Services	12,130	11,560	11,030	25,564	29,981	43,747	11,140	8,289	25,000	25,000
Reinsurance Premium	6,818,750	4,625,350	3,720,562	4,057,885	3,945,428	3,471,031	3,401,536	3,412,891	2,918,638	1,436,915
Administrative Expenses	1,241,649	1,023,677	905,797	1,127,719	1,057,148	889,797	953,491	1,070,968	929,620	734,308
Net Claims and Expenses	15,844,904	16,329,804	10,703,309	12,428,570	13,235,332	6,762,732	15,718,183	9,172,954	7,828,062	13,114,151
Net Underwriting Revenues	(3,484,064)	(4,825,718)	(92,141)	(2,170,150)	(1,993,749)	3,564,653	(5,305,368)	326,104	1,145,518	(5,066,366)
OTHER REVENUES:										
Investment Income	(576,214)	2,366,716	4,856,766	4,826,420	3,207,728	4,518,319	4,615,308	6,495,559	5,652,592	6,048,578
Other Income	97,371	3,188,538	348,119	19,369		287	20	32,112	83,303	2,406
Total Other Revenues	(478,843)	5,555,254	5,204,885	4,845,789	3,207,728	4,518,606	4,615,328	6,527,671	5,735,895	6,050,984
OTHER EXPENSES:										
Appraisal Services						5,245			1,495	1,490
Investment Expenses	222,588	182,429	236,109	157,820	612,809	119,908	104,883	129,264	143,094	131,092
Penalty Expense						3,467,825				
Prior Period Adjustments										
Legal Defense Fees	153,616	274,053	174,188	24,301	30,587	376,071	51,902	188,671	337,858	99,717
Total Other Expenses	376,204	456,482	469,281	182,121	4,111,221	501,224	156,785	317,935	482,447	232,299
Net Other Revenues	(855,047)	5,098,772	4,735,604	4,663,668	(903,493)	4,017,382	4,458,543	6,209,736	5,253,448	5,818,685
NET REVENUES	(4,339,111)	273,054	4,643,463	2,493,518	(2,897,242)	7,582,035	(846,825)	6,535,840	6,398,966	752,319

STATE INSURANCE FUND NOTES TO FINANCIAL STATEMENTS

Fund Balance

An acceptable Fund Balance is required in accordance with actuarial studies to protect the financial integrity of the Fund. This balance is reserved to pay for future losses, primarily catastrophic claims. It provides an immediate source of funds to local schools and State agencies to rebuild or replace buildings and contents.

Recoveries

Recoveries include subrogation against negligent third parties who caused damage to insured property, payments by insurance companies which provide coverage primary to that of SIF, ie., Boiler and Machinery insurance coverage and payments by reinsurers.

Investment Expenses

These consist of utilities, fees, maintenance and miscellaneous costs for leasing owned real estate.

Legal Fees

The fees are defense costs on a claim against the SIF by the United States, Department of Health and Human Services, Division of Cost Allocation. This claim arose as a result of legislative appropriations from the SIF in the 1980's.

STATE INSURANCE FUND
NOTES TO FINANCIAL STATEMENTS - Continued

Loss Liabilities and Expenses

Loss liabilities and expense reserving is required by the Governmental Accounting Standards Board - Statement Number Ten, "Accounting and Financial Reporting for Risk Financing and Related Insurance Issues." Losses are recorded as current liabilities and expenses in the year reported. SIF losses are estimated liability claims reported and in process of settlement. IBNR recognizes losses that have occurred but have not yet been reported. This liability and expense is determined by a professional actuary. The property claims filed are generally reported in the year of occurrence except those losses filed at the end of the fiscal year.

Unpaid Reported Claims Liabilities:	2002	2001
Unpaid claims and adjustment expenses at beginning of year	<u>\$6,551,521</u>	<u>\$5,553,594</u>
Incurred Claims and Adjustment Expenses:		
Provision for insured events of the current year	5,111,611	6,092,020
Increase (Decrease) in provision for insured events of prior years	<u>3,407,740</u>	<u>4,595,734</u>
Total incurred claims and adjustment expenses	8,519,351	10,687,754
Payments:		
Claims and adjustment expenses attributable to insured events of the current year	2,296,674	4,302,954
Claims and adjustment expenses attributable to insured events of prior years	<u>5,653,095</u>	<u>5,386,873</u>
Total Payments	7,949,769	9,689,827
Total unpaid claims and adjustment expenses at end of year	7,121,103	6,551,521
Incurred But Not Reported (IBNR):		
Incurred but not reported at beginning of year	1,463,587	1,453,595
Increase (Decrease) in incurred but not reported	<u>(730,525)</u>	<u>9,992</u>
Incurred but not reported at end of year	733,062	1,463,587
Total Unpaid Reported Claims Liabilities and IBNR at end of year	\$7,854,165	\$8,015,108

STATE INSURANCE FUND
Underwriting Expenditures
(Claims and Expenses Paid)
Ten Year History

Fiscal Year	TOTAL	<u>P o l i c y Y e a r o f C l a i m</u>									
		2002	2001	2000	1999	1998	1997	1996	1995	1994	1993
1993	3,580,942										3,580,942
1994	4,818,885									599,888	4,218,997
1995	5,532,998								1,382,581	1,503,390	2,647,027
1996	7,928,188							4,451,924	2,198,564	848,347	429,353
1997	8,928,710						2,482,732	4,970,436	775,977	694,065	5,500
1998	5,545,411						1,857,068	858,255	507,221		
1999	10,188,763				6,352,944	2,322,867	149,200	1,483,321			205,606
2000	5,319,982			2,325,861	2,768,444	171,234	54,443				
2001	9,689,827		4,302,954	3,195,300	1,751,058	70,619					
2002	7,949,769	2,296,674	4,068,464	1,555,027	29,604			369,896			

STATE INSURANCE FUND REVENUE EXHIBIT
RETURN ON EQUITY (R O E)

Fiscal Year	FUND EQUITY	NET REVENUES		UNDERWRITING NET REVENUES		INVESTMENT NET REVENUES	
2002	89,398,395	(4,339,111)	-4.8%	(3,484,064)	-3.9%	(798,802)	-0.9%
2001	91,074,862	273,054	0.3%	(4,825,718)	-5.3%	2,184,287	2.4%
2000	89,772,044	4,643,463	5.3%	(92,141)	-0.1%	4,620,657	5.3%
1999	84,734,741	2,493,518	3.7%	(2,170,150)	-3.2%	4,668,600	6.8%
* 1998	51,724,659	(2,897,242)	-5.6%	(1,993,749)	-3.8%	2,594,919	5.0%
* 1997	51,918,635	7,582,035	15.8%	3,564,653	7.4%	4,393,166	9.1%
* 1996	44,276,678	(846,825)	-1.4%	(5,305,368)	-8.8%	4,510,425	7.5%
1995	76,301,869	6,535,840	9.0%	326,104	0.4%	6,366,295	8.7%
1994	69,435,229	6,398,966	9.6%	1,145,518	1.7%	5,508,003	8.3%
1993	63,359,845	752,319	1.2%	(5,066,366)	-8.0%	5,915,996	9.3%
Average Return On Equity			4.3%		-1.7%		6.2%

* Excludes the Alabama Incentives Financing Authority \$30 Million bond - no income was recorded.
This bond served only to reduce the returns on investment and fund liquidity.